

**Comments on “Sectoral Allocation of Production Factors in Japan”  
by Prof. Yoichi Nakamura for SNA Conference**

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**Kenji Umetani, Cabinet Office**

**Features**

Simple framework (supply-side resource allocations, not demand-side growth analyses) applied into the comprehensive data base of SNA to deduce the contemporary implications for the structural reforms

**Contributions**

Success in presenting empirical results for the market-led-factor-allocation in the 1960s and 1970s, and for the malfunctioning of the market mechanisms in 1980s and after

**Further probable stories which the author does not elaborate**

- 1) Table 2: insignificant explanation of ULC in 1980s and after
  - ULC = wage – labor productivity (output terms)
  - 1980s; wage differentials widened among industries
  - 1990s; wages reduced across the board
- 2) Table 4: the low absolute value for ROA in 1990s
  - Efforts by companies to reduce the excess capital stock
  - Mostly replacement investments within the retained cash-flows
  - High priorities put on paying back debts in profit disposals
- 3) Opposite movements of OUTPUT parameters between Table 2 and Table 4
  - Table 2 (Labor) the increasing value: rising share of the service sector that is more labor-intensive
  - Table 4 (Capital) the decreasing value: declining share of production-capacity-augmentation investments (and possibly lower expectation of future growth rate)

**Remaining issues**

- 1) SNA sector definitions
  - Better to divide “the transport and communication” into two separate sectors
- 2) Labor share in the total output (compensations / national income)
  - To what extent does this model explain the trend of labor share? The key parameter would be the elasticity of substitutions between labor and capital.

**Remarks**

When the SNA data for this decade become available, the current structural reform could be evaluated by estimating parameters for ULC and ROA.